

**An extended model of moral outrage at corporate social irresponsibility.**

**Dr. Paolo Antonetti PhD, MSc, BA\***

Assistant Professor of Marketing

Warwick Business School, Coventry, UK

[paolo.antonetti@wbs.ac.uk](mailto:paolo.antonetti@wbs.ac.uk)

44-(0)7432669737

**Dr. Stan Maklan PhD, MBA, BSc**

Reader in Strategic Marketing

Cranfield School of Management, Cranfield, UK

[s.maklan@cranfield.ac.uk](mailto:s.maklan@cranfield.ac.uk)

+44 (0)1234 758022

## **REVIEWING SECTION: Marketing and Consumer Behaviour**

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### **ABSTRACT**

A growing body of literature documents the important role played by moral outrage or moral anger in stakeholders' reactions to cases of corporate social irresponsibility. Existing research focuses more on the consequences of moral outrage than a systematic analysis of how appraisals of irresponsible corporate behavior can lead to this emotional experience. In this paper we develop and test, in two field studies, an extended model of moral outrage that identifies the cognitions that lead to, and are associated with, this emotional experience. This research contributes to the existing literature on reactions to corporate social irresponsibility by explaining how observers' evaluation of irresponsible corporate behavior leads to reactions of moral anger. The paper also helps clarify the difference between moral outrage and other types of anger and offers useful insights for managers that have to confront public outrage following cases of irresponsible corporate behavior. Finally, the analysis of the causes of stakeholders' anger at irresponsible corporations opens important avenues for future research that are presented in the paper.

**Keywords:** corporate social irresponsibility, moral outrage, anger, fairness, justice, revenge.

## Introduction

Existing analyses investigating stakeholders' reactions to irresponsible corporate behavior document the important role played by moral outrage (Lindenmeier et al. 2012) or righteous anger (Cronin et al. 2012; Grappi et al. 2013b; Romani et al. 2013). This growing body of research shows that feelings of moral anger can motivate consumer boycotts (Braunsberger and Buckler 2011; Cronin et al. 2012; Friedman 1999), generate negative attitudes towards the organization (Grappi et al. 2013a; 2013b) and create negative word-of-mouth (Grappi et al. 2013b; Lindenmeier et al. 2012).

Research to date, however, has not examined which appraisals of corporate behavior are more likely to cause moral outrage (Ellsworth and Tong, 2006). Consider, for example, the following two quotes that are taken from the first study reported in this article. They illustrate the reactions of two participants to fraudulent behavior by a pharmaceutical company:

*“This article makes me angry. A company that would put greed over the health of underage teenagers should be prosecuted.”*

*“I immediately felt angry at GSK for promoting a drug that was not safe for the usage that they were claiming. This reckless, irresponsible behavior is why the pharmaceutical industry has such a terrible reputation. I also felt concerned for all of the children who had been mistakenly prescribed this medication by doctors who were misled by reps from GSK.”*

In the first case, feelings of anger appear primarily caused by attributions about the motives of unethical corporate behavior. The perception that greed has motivated the fraud seems to drive moral outrage. In the second, the emotion appears to be caused much more by a concern for the perceived severity of the consequences caused and a sense of injustice.

Understanding which appraisals of irresponsible corporate behavior cause feelings of moral outrage is important for two reasons. First, it helps managers craft messages that are more effective in limiting the damage caused by corporate moral failures thus providing valuable insights for crisis communications (Coombs 2007; Coombs and Holladay 2001). Second, from a theoretical perspective, a conceptual model of moral outrage helps clarify the unique characteristics of this emotion. Although talk of moral outrage is very popular across different research disciplines and topics (Salerno and Peter-Hagene 2013; Skitka et al. 2004; Thomas and McGarty 2009), scholars question the possibility of distinguishing this emotion from anger (Batson 2011; O'Mara et al. 2011). In this paper, we aim to develop a thorough analysis of the appraisals that influence moral outrage in order to tease out the distinctive features of this emotion (Bagozzi et al. 1999; Roseman et al. 1996).

In two field studies, we examine a model of moral outrage that extends current research by identifying the cognitive antecedents of this emotion. Consistent with appraisal theory, understanding the cognitions associated with a discrete emotional experience clarifies the meaning that the experience has for consumers and offers insight on the likely behavioral reactions caused by the emotion (Bagozzi et al. 1999; Roseman et al. 1994). This paper develops our understanding of the causes of moral outrage at socially irresponsible corporate behavior and clarifies the circumstances under which observers are likely to experience this emotion. Moreover, it offers evidence supporting the need to distinguish feelings of anger and moral outrage, at least in the context of reactions to unethical corporate behavior.

The remainder of the article is structured as follows. First, we review the relevant research background and introduce a new conceptual model of moral outrage. We then present the findings of two empirical studies of the model. Finally, we discuss the implications of the findings for scholarship and managerial practice.

## **Research background**

The literature suggests that four cognitive appraisals are particularly important in determining moral outrage: 1) attributions of blame to the corporation, 2) the perceived greed of the corporation, 3) the perceived unfairness of corporate behavior, and 4) the perceived severity of the consequences caused by corporate behavior. Before discussing research on each of these cognitions, however, we analyse how scholars define moral outrage and examine the differences between this emotion and feelings of anger.

### *Moral outrage and anger*

While many scholars present evidence in support of the importance of moral outrage in reactions to perceived injustices (Darley and Pittman 2003; Laham et al. 2010; Salerno and Peter-Hagene 2013; Skitka et al. 2004; Thomas and McGarty 2009; Wakslak et al. 2007), others question the relevance and power of this emotion (Batson 2011; O'Mara et al. 2011).

A disputed issue is the ability of past research to differentiate moral outrage from other types of anger such as *empathic* anger and *personal* anger (Batson et al. 2007; O'Mara et al. 2011). While perceived fairness is an appraisal that influences feelings of anger across different research contexts (e.g. Gibson and Callister 2009), moral outrage is determined primarily by the perception that a moral principle has been violated (Batson et al. 2009). In theory, this emotion should be clearly different from the one experienced when personal goals have been hampered (*personal* anger) or when someone we care about is being affected negatively (*empathic* anger) (Hoffman 1989; 2000; O'Mara et al. 2011;).

Research on reactions to irresponsible corporate behavior has carried forward this definition of moral outrage (e.g. Cronin et al. 2012; Grappi et al. 2013a; Romani et al. 2013) without

sufficient critical examination of its underlying assumptions. While Lindenmeier and colleagues (2012) test the relationship between perceived (un)fairness of corporate behavior and feelings of moral outrage empirically, most research merely assumes that unethical behavior causes feelings of righteous anger or moral outrage. Considering that in many cases of irresponsible corporate behavior observers are not directly affected by the consequences of the ethical transgression (e.g. Ohbuchi et al. 2004), this assumption seems justifiable. However, the evidence available is mixed and it is not clear exactly what the differences are between moral outrage and feelings of anger. There is evidence, for example, that the identity of the victims of unethical behavior has an impact on the level of outrage generated (Batson et al. 2009). Scholars have found that moral outrage is much higher when the victims share the same identity of the observer and this would call into question the idea that moral outrage is caused simply by the disconfirmation of a moral norm (Lindenmeier et al. 2012).

These ongoing debates inform this study. Considering the close relationships between anger and moral outrage, we use existing literature on the former emotion to develop a model comprising the cognitive antecedents of consumer outrage. This literature identifies blame (Aquino et al. 2001; Barclay et al. 2005), greed (Grégoire et al. 2010) and severity of the violation (Mazzocco et al. 2004; Tripp et al. 2007) as key appraisals associated with anger. To test whether outrage is uniquely associated with reactions to moral failures, we test two models. One explores feelings of moral outrage as a uniquely moral emotion driven by the perception that corporate behavior is unjust. The second model equates moral outrage with feelings of anger. In Figure 1 we present these two alternative models and below we discuss the literature that supports them.

### *Sensing injustice: perceived unfairness*

Consistent with the characteristics of moral outrage reviewed above, we argue that perceived unfairness is the cognitive appraisal associated with this emotion directly. Moreover, we expect the impact of all the other cognitions, activated by the appraisal of irresponsible corporate behavior, to be mediated by perceived unfairness.

There is extensive evidence showing how perceptions of (un)fairness are linked to anger. Scholars in social-psychology (Carlsmith et al. 2002; Darley and Pittman 2003), organizational behavior (Aquino et al. 2001; Folger and Cropanzano 1998; Gibson and Callister 2009; Tripp et al. 2007) and marketing (Cronin et al. 2012; Grappi et al. 2013b; Lindenmeier et al. 2012) conclude that the perception that an institution or organization is behaving unfairly triggers angry reactions. Scholars have also explored the feelings of anger caused by unfair corporate behavior within the context of justice theory, differentiating between *distributive* justice (fairness of outcomes) and *procedural* justice (fairness of process) (Barclay et al. 2005; Mullen and Skitka 2006; Murphy and Tyler 2008). In the context of irresponsible corporate behavior, research to date has focused exclusively on anger caused by unfair outcomes (Grappi et al. 2013b; Lindenmeier et al. 2012) although it is reasonable to expect that future research will focus also on procedural justice.

There is, however, research suggesting that justice appraisals are not the most important determinants of feelings of moral anger. Research on anger at service failure and/or poor service recovery, suggests that beliefs about the fairness of corporate action allow individuals to infer the motives for the target company's behavior (Grégoire and Fisher 2008; Grégoire et al. 2010; Joireman et al. 2013). According to this account, which arguably focuses on *personal* anger rather than moral outrage, the appraisal of an injustice influences perceived greed (Grégoire et al. 2010), which is considered to be the most direct cause of feelings of anger.

Service marketing scholars that study reactions to poor service delivery discuss the importance of feelings of rage (Harris 2013; McColl-Kennedy et al. 2009; Surachartkumtonkun et al. 2013) and claim that perceived unfairness forms an important dimension of this emotional experience (e.g. Surachartkumtonkun et al. 2013). Customer rage is defined as “furious, overwhelming, extreme anger” (Surachartkumtonkun et al. 2013, p. 73) and seems to overlap with moral outrage.

#### *Making sense of the motive: perceived greed*

Justice research has established that the motives attributed to the perpetrators are important in generating emotional reactions (Crossley 2009; Grégoire et al. 2010) and greed is a well-documented motivation individuals tend to infer when confronting questionable corporate practices (McGovern and Moon 2007). Attributions of greed are also an important component in the psychology of hate and, from this point of view, should be key drivers in motivating retaliations against irresponsible corporate behavior (Sternberg 2003). Consistent with existing research on revenge and justice perceptions (Crossley 2009), perceived greed is defined as the judgement that the perpetrator is causing damage to others in order to obtain a personal advantage. Greedy behavior is motivated by opportunism and selfishness (see also Grégoire et al. 2010). When the offense is only attributed to negligence, the desire for revenge is relatively weakened (Darley and Pittman 2003) but the intensity of the reaction is stronger when the violation is perceived as deliberate (Averill 1982; Baumeister et al. 1990). It is reasonable to expect, therefore, that attributions of greed are likely to influence experiences of moral outrage. Somewhat more difficult is to understand exactly how perceived greed exerts its effect on the emotional reactions.



Existing evidence shows that perceived greed influences feelings of anger directly (Crossley 2009; Grégoire et al. 2009; Joireman et al. 2013). This is also consistent with attribution theory that expects anger to be associated with situations where people have control (or are perceived as having control) for what the observer considers negative outcomes (Kelley and Michela 1980; Weiner 1985; 1993; 2001). However, according to the account of moral outrage proposed here, the impact of greed on this emotion should be mediated by justice appraisals. The conceptual argument for moral outrage suggests that greed enhances the perceived unfairness of a certain behavior and it is this assessment of injustice that ultimately triggers the emotion. Both these causal paths are explored in this study to examine the specific appraisal process that characterizes outrage at irresponsible corporate behavior.

#### *Finding the culprit: importance of blame attributions*

Attributions of blame are very important in determining angry reactions. This is consistent with attribution theory (Weiner 1993) as well as research in several domains, such as, the psychology of justice and revenge (Alicke 2000; Barclay et al. 2005; Darley and Pittman 2003) and the study of anger in marketing contexts (Bonifield and Cole 2006; Funches 2011). Theoretical accounts differ on whether the influence is direct or mediated by other variables and on how blame relates to other appraisal dimensions.

Work on blame attribution suggests that inferences about perpetrators' motives reinforce their culpability: in certain circumstances perceived greed leads to blame (Averill 1982; Ohbuchi et al. 2004). However, when confronting irresponsible corporate behavior, it is reasonable to assume that people will start from attributions of culpability and it is blame that, in turn, causes attributions of greed (Crossley 2009). Unless individuals hold pre-existing information about the motivation of corporate action, blame should inform perceived greed and not the other way

around. This is consistent with research on customer revenge showing that, when consumers appraise the causes of poor service delivery, attributions of blame precede the perception of corporate greed (Grégoire et al. 2010; Joireman et al. 2013).

It is also possible to expect blame to influence moral outrage at irresponsible corporate behavior directly. There is a significant body of research linking blame to feelings of anger. Some authors maintain that negative moral emotions, such as moral outrage, mediate the relationship between blame and retaliation (Darley and Pittman 2003; Tripp et al. 2007). This interpretation, however, seems to contradict the definition of moral outrage presented above that describes this emotion as driven by appraisals of fairness primarily. This view leads us to hypothesize that the effect of blame on moral outrage is indirect and mediated by its influence on greed, which affects perceived fairness. The indirect effect of blame on moral outrage, although it has not been directly tested in previous research, appears theoretically consistent with some previous accounts of anger that have researched how other cognitions can mediate the impact of this variable on emotional reactions (Grégoire et al. 2010; Lange and Washburn 2012).

#### *Appraising the damage: perceived severity*

Existing theorizing supports the intuitive observation that perceived severity should influence the appraisal of corporate social irresponsibility (Lange and Washburn, 2012). In the workplace, as well as in marketplace interactions, scholars have found that the higher the severity of the harm, the stronger the emotional reaction and the subsequent motivation to retaliate against the firm (Bradfield and Aquino 1999; Grégoire et al. 2010; Miller and Vidmar 1981; Tripp et al. 2002). It is unclear, however, whether this impact should always be transmitted to the emotional reaction directly or whether it is better to conceive it as an indirect

effect, at least in the case of moral outrage at corporate transgressions. In previous research on anger, the perceived severity of corporate misdemeanours appears to influence the emotional reaction directly (Aquino et al. 2001; Barclay et al. 2005; Grégoire et al. 2010). However, consistent with the view of moral outrage discussed above, we would expect this effect to be mediated by the perceived unfairness of the target behavior. The previous studies that have examined the effect of perceived severity on anger have focused on instances of *personal* anger; when the individual is disadvantaged by corporate actions directly. Furthermore, there is evidence that supports an alternative, indirect path that explains the effect of perceived severity on moral outrage.

Previous research shows how the perceived severity of an action can affect blame attributions. As suggested by Alicke (2000; p. 569) “harmful events, from minor transgressions to international disasters, arouse the desire to identify a blameworthy culprit”. We expect this process to hold true also when the negative effects of irresponsible corporate behavior are appraised. At the same time, that which scholars call “outcome-bias” suggests that culpability is influenced by the quality of the outcomes generated (Lowe and Medway 1976; Mazzocco et al. 2004) so that questionable practices are more likely to be judged as unethical when they generate negative outcomes (Gino et al. 2010). This is also consistent with accounts of attribution theory in consumer research (Folkes 1988).

Scholars have also shown that inferences about motives are automatically activated when a negative outcome is contemplated (Reeder et al. 2002; Reeder et al. 2005). Consequently, it is reasonable to expect that the higher the harm caused by a corporate transgression, the more likely will be the attribution of negative motives such as greed to the company in question. This hypothesis is corroborated by research on revenge against poor service delivery (Grégoire et al. 2010).

Consistent with justice theory, we also expect that higher severity will influence appraisals of fairness (Barclay et al. 2005; Blader 2007). The link between severity and perceived (un)fairness is also supported by work in moral philosophy and moral psychology showing how people rely on their evaluations of the outcomes of a certain behavior to assess its ethicality (Mudrack and Mason 2012; Vitell 2003).

### *Consequences of moral outrage*

Although in this article we focus on the analysis of the antecedents of moral outrage, we also assess the influence of this emotion on intentions to spread negative communication on the company (i.e. negative word-of-mouth). The importance of moral outrage, in fact, is inextricably linked with the ability of this emotion to cause specific behavioral outcomes.

Existing research on righteous anger has examined a number of potential outcomes of this emotion and consistently shown that experiences of outrage lead to potential aggressive behaviour against the organization. Scholars, for example, link anger with intentions to boycott an organization (Braunsberger and Buckler 2011; Cronin et al. 2012; Friedman 1999; Lindenmeier et al. 2012). There is also some evidence showing that feelings of moral outrage can cause individuals to spread negative information about a company (Grappi et al. 2013b; Lindenmeier et al. 2012).

Recently Romani and colleagues (2013) have suggested that it is important to differentiate between different types of retaliatory reactions against irresponsible corporate behavior. The authors maintain that different types of emotional experience lead to different behavioral reactions. Specifically, they argue that anger leads to “constructive punitive actions”; i.e. behaviors aimed at causing a change in corporate practices. These are contrasted with other

potential retaliatory actions, such as negative word-of-mouth, that are simply aimed at damaging the company.

The existing literature on moral outrage shows that this emotion is important for its role as a mediator between the perception of a corporate misbehavior and stakeholders' decision to retaliate. Consequently, any extended model of moral outrage which explores the causes of this emotional experience needs to include a behavioral measure. This is necessary to test that, rather than independent predictors of intentions to retaliate against the organization, the cognitions reviewed are better conceived as drivers of moral outrage; extending a line of research that has examined the role of outrage at irresponsible corporate behavior in the past (Cronin et al. 2012; Grégoire et al. 2010; Lindenmeier et al. 2012).

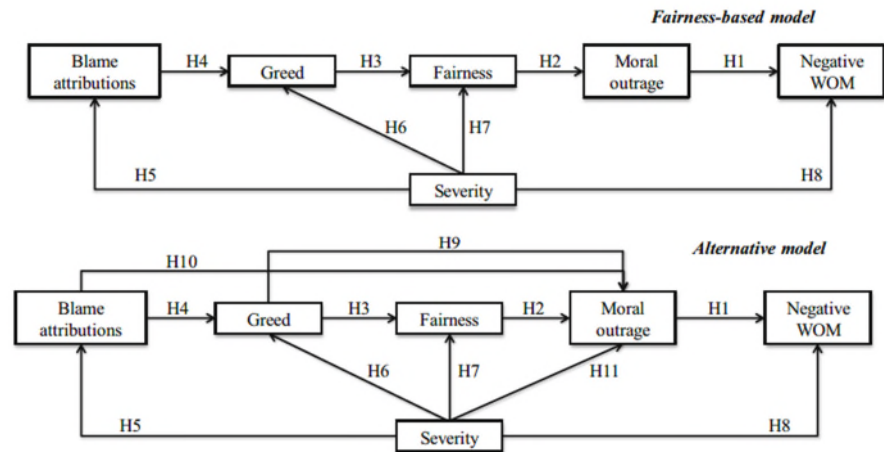
Among the cognitions discussed we expect that only the perceived severity of the violation will have a direct influence on negative word-of-mouth. This is consistent with extensive research on revenge (Bradfield and Aquino 1999; Grégoire et al. 2010; Tripp et al. 2002). All the other causes of moral outrage are not expected to influence the intentions to spread negative information against the organization directly.

#### *A conceptual model of moral outrage at irresponsible corporate behavior*

On the basis of the literature reviewed, we suggest a fairness-based model of moral outrage that identifies how cognitive appraisals contribute to determining the emotional experience. The model is presented in Figure 1 together with a potential alternative model which is tested in this study. The alternative model comprises three additional research hypotheses derived from the existing literature on *personal* anger. The fairness-based model instead interprets

existing evidence consistently with the view that sees moral outrage as an emotional reaction caused by the transgression of moral principles.

**Fig. 1** Moral outrage models



The fairness-based model hypothesizes that moral outrage is caused primarily by appraisals of (un)fairness (H2) and that all other cognitive variables influence the emotional reaction indirectly. Namely, it is hypothesized that greed influences fairness (H3) and this variable is in turn explained by blame attributions (H4) and the effect of the severity of the outcomes (H6). Perceived severity also influences the likelihood of attributing blame to the company (H5). Finally both models predict that moral outrage (H1) and perceived severity influence retaliatory behaviors against the company (H8).

The alternative model posits that moral outrage, in addition to assessments of fairness, is also the result of direct influences of greed, blame attributions and severity. This model therefore contains three more research hypotheses that require empirical testing for two reasons. First, the literature on anger reviewed above supports the presence of a direct relationship between greed and anger (H9), blame and anger (H10) and severity and anger (H11). Second, existing research is unclear on whether anger and moral outrage represent different emotional experiences and, in the case of an affirmative answer, what exactly differentiates these two

emotions. By testing the two competing research models depicted in Figure 1 it will be possible to understand what causes moral outrage in the case of unethical corporate behavior and also provide evidence on the conceptual differences between this emotion and feelings of anger.

## **Methodology**

We tested the models in two field studies that survey observers' reactions to real cases of irresponsible corporate behavior. The studies allow examining the model in research contexts that differ in the level of perceived unfairness of the corporate behavior examined. In the first investigation participants expressed their moral judgment on a case of corporate fraud while in the second study we focused on participants' evaluation of a case of tax avoidance.

### *Study 1*

We surveyed participants' evaluations of, and reactions to, a real case of unethical corporate practice. The survey asked participants' opinions in relation to a fraud case involving the global pharmaceutical company GlaxoSmithKline (GSK) (Thomas and Schmidt 2012). Consumers read an excerpt reporting part of a press release from the US Department of Justice that describes GSK's unlawful promotion of *Paxil*, an anti-depression medication (Appendix A). The use of an excerpt based on an actual court case maximizes the ecological validity of the research.

After reading the excerpt, participants were first asked an open-ended question about their immediate thoughts and feelings. Subsequently they completed scales measuring all the relevant constructs. Participants were recruited through Amazon Mechanical Turk (Buhrmester et al. 2011; Paolacci et al. 2010) and completed the survey online. We collected 218 responses. Six interviews were not complete, leading to a final sample of 212 participants. 54% of the

respondents are female, 44% are university graduates and the average age is 38. All participants are resident in the US. Only 22 participants expressed awareness of this case and their evaluation did not significantly differ from the rest of the sample (outrage  $M_{(\text{aware})} = 5.1$  versus  $M_{(\text{unaware})} = 5.4$ ;  $t = .79$ ,  $p = .43$ ).

### *Study 2*

The second study examines consumers' reactions to a case of tax avoidance. We purposely chose to examine a behavior which is not illegal and can be construed as a completely legitimate approach to tax planning (Hanlon and Heitzman 2010). At the same time several commentators have suggested that tax avoidance is socially irresponsible, especially since it contradicts CSR statements promoted by many organizations (Dowling 2013; Sikka 2010). The media and political campaigners often condemn this practice (BBC 2012; The Economist 2013); and there is evidence that many consumers find it questionable (Clark 2013). From the perspective of this research, tax avoidance appears to be an interesting issue to examine since it might elicit a wider range of views than the scenario analyzed in the first study.

Specifically, we examined a case of tax sheltering (Hanlon and Heitzman 2010) a practice where a company reduces its taxable income through arrangements that can include the use of off-shore companies or the exploitation of loopholes in international tax regulations. Participants were shown a brief excerpt from a newspaper article outlining the tax avoidance strategies of a fictitious company. To ensure the accuracy of the information presented as well as the ecological validity of the research, the excerpt was based on publicly available information reporting Starbucks' tax avoidance practices that were scrutinized extensively by the media in the UK (Bergin 2012; Neville and Malik 2012). To limit the potential bias caused by existing attitudes towards the brand, we decided to use a fictitious brand name<sup>1</sup>.



The scenario was reviewed for content accuracy and clarity by two academics: one researches tax avoidance and the other is an expert in consumer behavior. We also conducted a pretest ( $N = 30$ ) where we asked participants what they found unclear about the practices described in the excerpt (open-ended question) and collected ratings in terms of clarity (1= clear; 7= unclear) and credibility (1= believable; 7= unbelievable) of the scenario. Results indicated that there were no concerns with the scenario ( $M_{\text{clarity}} = 2.07$ ;  $M_{\text{credibility}} = 1.90$ ) and consequently we included participants from the pretest in our main analysis (for details of the scenario see Appendix B).

Using the same procedures discussed for Study 1, we recruited 382 participants through Amazon Mechanical Turk. 47% of the respondents are female, 47% are university graduates and 55% of participants are between 25 and 44 years of age<sup>2</sup>.

### *Measures*

After reading the respective scenario describing a case of corporate social irresponsibility, participants were asked about their “immediate thoughts and feelings”. Answers to this open-ended question were reviewed to ensure that no relevant appraisal dimension had been excluded from our conceptual model. Subsequently, participants completed the relevant scales for our analysis; the same items were used in both investigations. First, participants completed measures of moral outrage, captured by three items that, consistent with previous research on this emotion (Batson et al. 2009; Lindenmeier et al. 2012), were presented as part of a longer scale. Subsequently, consumers answered items assessing the perceived fairness of the behavior, the severity of company’s failure, attributions of blame and the perceived greed of the company. All measures used are identical to those from previous research on anger (Crossley 2009; Grégoire et al. 2010) bar the addition of the relevant company name. Measures of negative word-of-mouth are also consistent with previous research (Grégoire and Fisher

2006) and were presented at the end of the questionnaire. The exact wording of all items and scales is available in Table 2.

### *Common method bias*

To limit the potential impact of common-method bias (Podsakoff et al. 2003), all items were presented randomly and participants were reminded frequently of the anonymity and confidentiality of the study and that all questions had no right or wrong answers. Furthermore, all scales we used were concise and clear; and adopted multiple response formats.

Despite these precautions, since our analysis is based on cross-sectional data, common-method bias needs to be quantitatively assessed since it might confound the analysis of the results. We adopted the Harman's single factor test to assess quantitatively common method bias. For Study 1 we found that, using a Varimax rotation, a single factor explains 42% of the variance (compared with 69% explained by four factors). Since the first factor extracted does not explain more than half of the variance we can exclude the existence of a general factor in the data. In Study 2, we obtain similar results with the first factor extracted explaining less than half the overall variance in the data set (43% compared with 73% explained by three factors). Although these results disprove the existence of a general factor in the data, they also show that a sizable amount of variance can be explained only by one factor. This is likely due to the fact that the variables in our conceptual model are highly correlated (see Table 1) because of theoretical reasons, that is strong covariance is expected and should be considered "functional" (see Podsakoff and Organ 1986). To further assess common method variance, we run a Confirmatory Factor Analysis with one single latent construct to evaluate whether a model with one general factor shows a reasonable level of fit (see Craighead et al. 2011). Results indicate poor fit for the one-factor model both in the case of Study 1 (CFI: .583; TLI: .521; RMSEA: .190) and Study 2 (CFI: .705; TLI: .666; RMSEA: .214). These analyses, despite not precluding the possibility that common method variance has some effect on our results, suggest that this

bias is not a serious concern in this research and, most importantly, does not represent a confounding factor in the interpretation of the results.

### *Analytical approach*

Following an approach successfully implemented in previous research on consumer anger (Grégoire et al. 2010; Joireman et al. 2013), we combine two different approaches to Structural Equation Modeling (SEM): PLS-SEM and covariance-based SEM. Scholars suggest that rather than alternatives, these two analytical methods can often be considered complementary. The main advantages of PLS-SEM are its greater statistical power, ability to handle smaller sample sizes and robustness when assumptions of normality are violated (Hair et al. 2011; Hair et al. 2013). Covariance-based techniques, although they require larger sample sizes, offer more accurate assessments of the overall validity of a theory and produce measures of overall fit that are particularly useful when evaluating alternative models (Chin 1998; Reinartz et al. 2009).

In this research we combine these approaches by first comparing the research models presented in Figure 1 through PLS-SEM estimation both in the case of Study 1 and Study 2. We use the software SmartPLS 2.0 for the analysis (Ringle et al. 2005) and adopt a bootstrapping procedure with 5000 re-samples to test the significance of the loadings obtained both for the measurement model and for the structural model (Hair et al. 2011). Finally we pool the data from the two studies together and estimate a covariance-based SEM using AMOS 21. This allows assessing the goodness of fit of both the fairness-based model and the alternative model.

### **Results**

As expected, descriptive statistics indicate that the second case of irresponsible corporate behavior is perceived in general as less serious than the first one. Across all indicators average values are significantly lower in Study 2 ( $p < .01$ ) and standard deviations higher. This allows

exploring whether the expected relationships between variables are observed in these two different contexts. We cannot exclude, however, that the differences in values could also be partly due to variations in the way the two different stimuli are processed. In Study 2, in fact, consumers evaluated a much longer and more complex description of corporate social irresponsibility.

**Table 1** Descriptive statistics and correlations

	Study 1 Mean; SD	Study 2 Mean; SD	1	2	3	4	5	6
1. Blame attributions	6.67; .60	5.98; 1.88	–	.56**	.60**	.60**	.38**	.51**
2. Greed	6.55; .67	5.74; 1.29	.54**	–	.71**	.71**	.56**	.61**
3. Fairness	6.55; .68	4.68; 1.91	.52**	.74**	–	.89**	.68**	.78**
4. Severity	9.17; 1.10	6.33; 2.96	.58**	.59**	.69**	–	.73**	.81**
5. Moral outrage	5.38; 1.61	3.63; 1.97	.20**	.32**	.45**	.42**	–	.77**
6. Negative WOM	5.71; 1.32	3.98; 2.12	.22**	.53**	.53**	.48**	.64**	–

The correlations of Study 1 (Study 2) are in the lower (upper) diagonal triangle in the table

\*\* Indicates that the value is significant at  $p < .01$  significance level

Table 2 and Table 3 present detailed information on the measurement model for both studies. Results indicate that the items converge to measure the underlying constructs and present no issues in terms of reliability. The loadings for all items measured are above .60 and the indicators of reliability all exceed the thresholds suggested in the literature (Hair et al. 2011). Despite the very high correlations among some of the constructs in Study 2, the analysis show that there are no issues of discriminant validity because all loadings for each indicator are higher than its cross-loadings (Hair et al. 2011) and the Fornell-Larcker criterion is respected for all latent variables (Fornell and Larcker 1981).

**Table 2** Measurement model (Study 1)

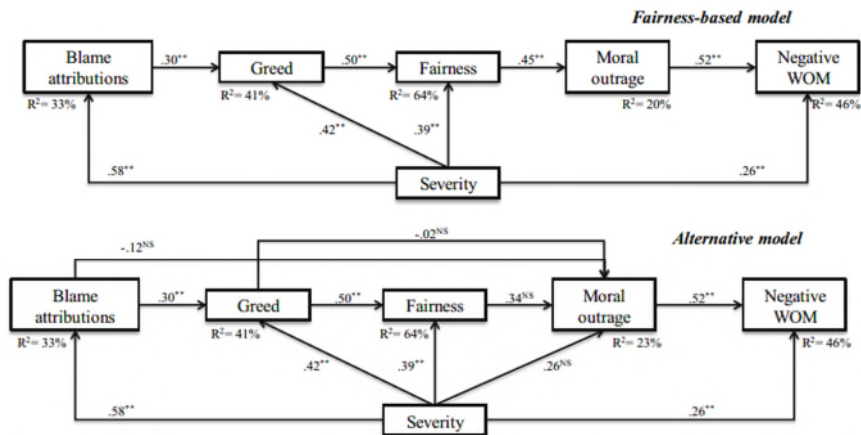
Items	Study 1 Standardized loadings	Study 2 Standardized loadings
<i>Moral outrage (Study 1 AVE: .91; <math>\alpha</math>: .95; CR: .97; Study 2 AVE: .93; <math>\alpha</math>: .96; CR: .98)</i>		
Indicate the degree to which you are feeling each of these emotional reactions as a result of reading the article (1: not at all; 7: extremely): Angry	.95	.96
Indicate the degree to which you are feeling each of these emotional reactions as a result of reading the article (1: not at all; 7: extremely): Outraged	.95	.97
Indicate the degree to which you are feeling each of these emotional reactions as a result of reading the article (1: not at all; 7: extremely): Mad	.95	.97
<i>Blame attributions (Study 1 AVE: .74; <math>\alpha</math>: .82; CR: .89; Study 2 AVE: .76; <math>\alpha</math>: .85; CR: .91)</i>		
Overall [company name] was... 1: not at all responsible for the behavior; 7: completely responsible for the behavior	.77	.76
The behavior described was... 1: not at all [Company name]'s fault; 7: completely [Company name]'s fault	.92	.93
To what extent do you blame the firm for what is happened (1: not at all; 7: completely)	.88	.92
<i>Greed (Study 1 AVE: .65; <math>\alpha</math>: .82; CR: .88; Study 2 AVE: .68; <math>\alpha</math>: .84; CR: .89)</i>		
[Company name] intended to take advantage of the situation (1: strongly disagree; 7: strongly agree)	.84	.68
[Company name] intended to take advantage of its customers (1: strongly disagree; 7: strongly agree)	.85	.83
[Company name] had good intentions (1: strongly disagree; 7: strongly agree) [reverse coding]	.75	.87
[Company name] was acting out of selfishness (1: strongly disagree; 7: strongly agree)	.79	.91
<i>Fairness (Study 1 AVE: .72; <math>\alpha</math>: .80; CR: .88; Study 2 AVE: .88; <math>\alpha</math>: .93; CR: .96)</i>		
[Company name]'s behavior was dishonest (1: strongly disagree; 7: strongly agree)	.79	.90
[Company name]'s behavior was unfair (1: strongly disagree; 7: strongly agree)	.88	.96
[Company name]'s behavior was unjust (1: strongly disagree; 7: strongly agree)	.88	.95
<i>Severity (Study 1 AVE: .67; <math>\alpha</math>: .74; CR: .85; Study 2 AVE: .90; <math>\alpha</math>: .94; CR: .96)</i>		
How wrong do you consider the behavior by GSK described in the press release presented above? (1: not at all; 10: completely)	.81	.96
[Company name]'s behavior was... (1: a minor mistake; 10: a major mistake)	.85	.95
[Company name]'s behavior caused... (1: minor damage; 10: major damage)	.78	.93
<i>Negative word-of-mouth (Study 1 AVE: .82; <math>\alpha</math>: .89; CR: .93; Study 2 AVE: .94; <math>\alpha</math>: .97; CR: .98)</i>		
I would be likely to complain about [company name] to other people (1: very unlikely; 7: very likely)	.91	.97
I would be likely to bad-mouth against [company name] to other people (1: very unlikely; 7: very likely)	.93	.97
I would tell other people not to buy from [company name] (1: very unlikely; 7: very likely)	.88	.96

Table 3 shows the structural estimates for Study 1 for both the fairness-based model and the alternative model. Results suggest that the more parsimonious fairness-based model offers a better description of the data. The additional paths that are included in the alternative model are not significant statistically.

**Table 3** Structural path estimates (Study 1)

Independent variable	Dependent variable	Fairness-based model			Alternative model		
		Parameter estimate	SE	<i>t</i> -statistic	Parameter estimate	SE	<i>t</i> -statistic
Blame attributions	Greed	.30	.13	2.27	.30	.13	2.29
Blame attributions	Moral outrage	–	–	–	–.12	.11	1.12
Greed	Fairness	.50	.11	4.53	.50	.11	4.55
Greed	Moral outrage	–	–	–	–.02	.14	.15
Fairness	Moral outrage	.45	.09	5.19	.34	.19	1.84
Severity	Blame attributions	.58	.11	5.28	.58	.11	5.22
Severity	Greed	.42	.12	3.57	.42	.12	3.61
Severity	Fairness	.39	.12	3.18	.39	.12	3.18
Severity	Moral outrage	–	–	–	.26	.15	1.82
Severity	Negative WOM	.26	.10	2.61	.26	.10	2.62
Moral outrage	Negative WOM	.52	.10	5.34	.52	.10	5.25

The analysis of the amount of variance explained in the endogenous constructs is presented in Figure 2. It further suggests that the fairness-based model offers a better account of moral outrage at irresponsible corporate behavior. The additional paths included in the alternative model contribute only to a 3% increase in the amount of variance explained. The amount of variance explained by the fairness-based model shows a small effect of the cognitions investigated on moral outrage and a moderate effect of moral outrage on negative word-of-mouth (Hair et al. 2011). Overall these results support all hypotheses included in our research model except for H9, H10 and H11 that were included in the alternative research model.



**Fig. 2** PLS-based path models (Study 1). NS indicates that the value is not statistically significant. \*\* indicates that the value is significant at  $p < .01$  significance level

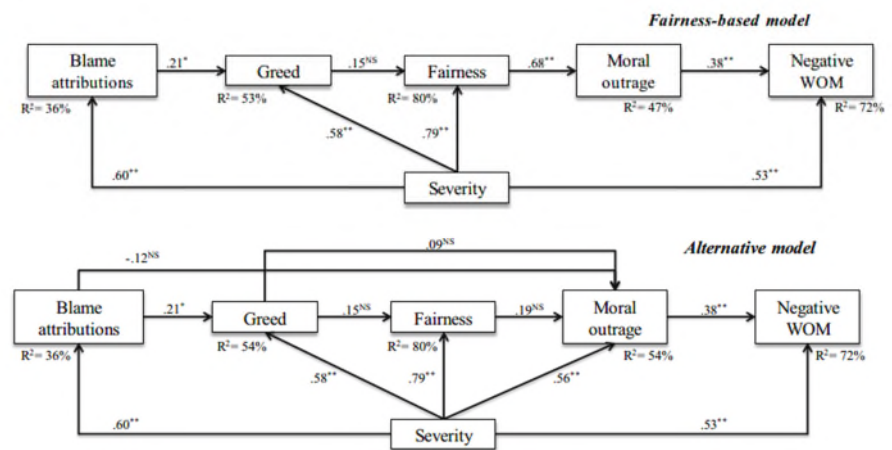
The estimation of the PLS-SEM structural model for Study 2 is presented in Table 4. Results indicate that, in the alternative model, blame and greed do not influence directly feelings of moral outrage. On the other hand, severity is a significant predictor of feelings of moral outrage. In the fairness-based model all paths are statistically significant in the predicted direction except for greed. In terms of overall variance explained (Figure 3), adding the three additional links of the alternative model only improve the prediction of the model by 7%. This suggests that overall the fairness-based model seems to account better for the data and is more parsimonious. This model is able to predict a substantial amount of variance in the intentions to spread negative information about the company and a moderate amount of variance in feelings of moral outrage.

**Table 4** Structural path estimates (Study 2)

Independent variable	Dependent variable	Fairness-based model			Alternative model		
		Parameter estimate	SE	<i>t</i> -statistic	Parameter estimate	SE	<i>t</i> -statistic
Blame attributions	Greed	.21	.10	2.05	.21	.11	2.02
Blame attributions	Moral outrage	–	–	–	–.12	.09	1.29
Greed	Fairness	.15	.08	1.86	.15	.08	1.84
Greed	Moral outrage	–	–	–	.09	.10	.87
Fairness	Moral outrage	.68	.05	12.50	.19	.15	1.27
Severity	Blame attributions	.60	.08	7.70	.60	.08	7.90
Severity	Greed	.58	.09	6.65	.58	.09	6.64
Severity	Fairness	.79	.07	10.77	.79	.07	10.56
Severity	Moral outrage	–	–	–	.56	.18	3.20
Severity	Negative WOM	.53	.10	5.23	.53	.10	5.16
Moral outrage	Negative WOM	.38	.11	3.51	.38	.11	3.45



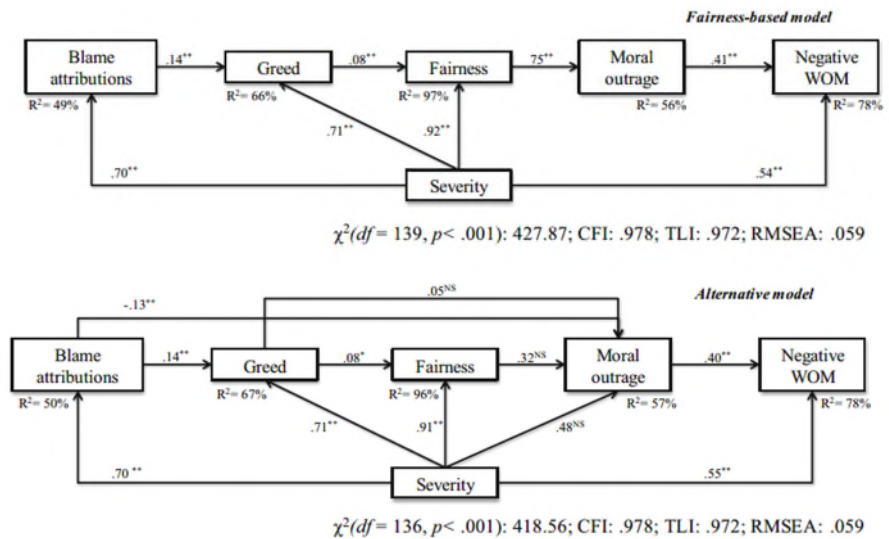
**Fig. 3** PLS-based path models (Study 2). NS indicates that the value is not statistically significant. \* indicates that the value is significant at  $p < .05$  significance level. \*\* indicates that the value is significant at  $p < .01$  significance level



Finally, we evaluated the data from the two studies together and estimated two covariance-based SEMs. The combined sample of 594 cases, considering the number of parameters estimated, is large enough to guarantee a reliable estimation of the research models (Bentler and Chou 1987). Figure 4 shows a summary of the results and presents the main fit statistics for both models. Although results indicate that both models fit the data reasonably well, the fairness-based model appears preferable on at least two grounds. First, of the three additional paths considered in the alternative model, two are not statistically significant and one presents an unacceptable value since it indicates a negative influence of blame on moral outrage. Second, a  $\Delta\chi^2$  of 9.31 indicates that the fairness-based model offers a significantly better fit to the data ( $df = 3, p = .025$ ) and it represents a more parsimonious solution. The comparison of the two models shows that moral outrage is clearly a different emotion from anger and it is primarily influenced by fairness appraisals.



**Fig. 4** Covariance-based path models (Study 2). NS indicates that the value is not statistically significant. \* indicates that the value is significant at  $p < .05$  significance level. \*\* indicates that the value is significant at  $p < .01$  significance level



## Discussion

This study contributes to research focused on developing a better understanding of how stakeholders react to cases of corporate social irresponsibility (Grappi et al. 2013a; Jones et al. 2009; Murphy and Schlegelmilch 2013; Sweetin et al. 2013). We develop an extended model of moral outrage that explains how observers appraise unethical corporate behavior and how this appraisal leads to emotional reactions and intentions to retaliate. The study offers several contributions to existing research.

We complement the analysis of the outcomes of moral outrage and moral anger (e.g. Lindenmeier et al. 2012; Romani et al. 2013) with a more detailed analysis of the causes of this emotional reaction. Understanding the cognitions associated with moral outrage clarifies the phenomenology of this emotion (Bagozzi et al. 1999; Roseman et al. 1990) and the drivers of stakeholders' outrage at unethical corporate behavior. Furthermore, this study examines the differences between anger and moral outrage, an issue hitherto overlooked in the management literature (O'Mara et al. 2011). We present evidence in support of a differentiation between these emotional experiences. At least in the context of reactions to unethical corporate

behavior, the evidence presented supports that the experience of anger is primarily linked to appraisals of unfairness (Thomas and McGarty 2009). From this point of view, results are consistent with, but significantly extend, previous accounts of moral outrage that had focused on the influence of perceptions of injustice (e.g. Cronin et al. 2012; Lindenmeier et al. 2012). In addition to supporting a fairness-based model of moral outrage, our findings indicate which cognitions are more likely to lead to perceived unfairness. Blame, greed and perceived severity of the violations are all variables that influence significantly the appraisal of fairness. The latter appears to be an especially strong determinant of justice attributions and therefore a key driver of moral outrage. This finding supports hypotheses that had been previously formulated in relation to how stakeholders make attributions of irresponsible corporate behavior (Lange and Washburn 2012) and it offers an important insight into what drives people's emotional reactions to negative corporate behavior.

### *Managerial implications*

The model presented offers an analytical framework that can help practitioners manage more effectively the negative reputational consequences stemming from cases of corporate social irresponsibility. The public relations literature, as well as studies of crisis communications, highlight the importance of managing the public anger that often follows corporate crises, especially when they are caused by moral failures (Carson 2003; Linsley and Slack 2013; Jin and Pang 2012).

The model presented also evaluates the usefulness of different response strategies identified in the literature on the basis of their ability to reduce feelings of moral outrage. One potential reaction, following a case of irresponsible behavior, is to try to deny culpability or shift blame onto others (e.g. suppliers, Government or even employee error) (Coombs 2007). This

investigation suggests that focusing on blame diverts attention from the far more important battle over fairness. Blame attributions, in fact, do not play a strong role in the experience of moral outrage. The evidence suggests that it would be more effective to immediately address the perceived severity of the violation either through effective communication or compensation (or most likely both - see for example Coombs 2007). Straying from this research, it is important to acknowledge that following instances of corporate social irresponsibility, the media will play an important role in framing perceptions of fairness as well as potentially exaggerate the severity of the consequences (e.g. Van der Meer and Verhoeven 2013). Rather than arguing with the media over culpability, our findings suggest that companies focus on perceptions of the consequences and redressing the problems caused.

It is important to stress, however, that the relative weight of the different cognitions is likely to vary between specific contexts. In our data we find that greed is a significant driver of moral outrage in the first study (corporate fraud) but not in the second (tax avoidance). Practitioners should therefore examine the specific circumstances of the crisis they are trying to manage before deciding on the best response.

#### *Areas for further research*

The model presented in this paper does not include all the variables that explain moral outrage. Only about half of the variance in feelings of outrage is accounted for. This is reasonable if we consider that we only included in the analysis variables relating to the appraisal of a specific case of corporate irresponsibility; that is variables associated with the specific situation examined. It is expected that several individual psychographic variables would contribute to explaining emotional reactions to unethical corporate behavior but these have been omitted by the current study because we were primarily interested in focusing on the appraisals of moral

outrage. Future studies can examine individual attitudes and beliefs in order to explore how these interact with situational appraisals. It is reasonable to expect, for example, that observers' pre-existing attitudes can influence the emotional reactions to cases of corporate social irresponsibility. Those who have already a negative view of a certain company (e.g. Cronin et al. 2012) or industry or even a negative view of business in general (e.g. Chylinski and Chu 2010; Skarmeas and Leonidou 2013; Vitell and Muncy 2005) are more likely to react angrily towards news of irresponsible corporate behavior that seems to confirm their expectations. Furthermore, previous research has documented (Spielberger et al. 1983) that individuals vary in their tendency to react angrily to situations that could potentially generate this emotional reaction. This is another individual variable that could likely be included in a potential extension of the model presented here.

Other interesting avenues for the development of literature in this area are offered by the exploration of a) moderations and boundary conditions that apply to the key processes included in the model, b) the analysis of how corporate apologies can be designed to assuage moral outrage, c) the examination of other potential outcomes of moral outrage, and d) the analysis of how different ways to report cases of questionable corporate behavior can affect stakeholder's reactions. For example, it is possible to hypothesize that observers will appraise the corporate transgression differently depending on the nature of the relationship they have with the brand responsible. If observers have a strong connection with a brand they might be forced to discount information about irresponsible corporate behavior in order to protect self-esteem (see for example Cheng et al. 2012). This is another area that scholars should pursue in the future to further extend our understanding of the causes of moral outrage. This study can also inform further research aimed at testing apologies and other response strategies in terms of their relative effectiveness in managing outrage and deterring retaliations against the firm. Anger and other negative emotions are very important reactions that can lead to damaging

behaviors against the organization (Coombs 2007; Jin and Pang 2012). Recently scholars have started developing a more systematic analysis of apology and other responses that might follow an organizational failure (Coombs et al. 2010; Coombs and Holladay 2001; Kirchhoff et al. 2012) and this study can contribute to the development of this line of research aiding in the identification of the best strategies to minimize moral outrage. In this study we have only analysed the impact of moral outrage on negative word-of-mouth. Further research is needed to explore other potential outcomes of moral outrage. There is some evidence of the role that this emotion plays in boycotts (Braunsberger and Buckler 2011; Cronin et al. 2012; Friedman 1999). It would be interesting, however, to explore also whether moral outrage can affect existing relationships consumers might have with organizations. This would allow understanding whether outrage following moral transgressions can cause lasting commercial damage to an organization. Finally, in this paper we have examined two different cases of corporate social irresponsibility which were presented to participants in different formats. We have not explicitly explored, however, how differences in the processing of the stimuli can affect the emotional experience. It is reasonable to expect that different styles in the reporting of cases of questionable corporate behavior can affect stakeholders' reactions and this is an interesting avenue for future research.

## **Conclusion**

Anger at irresponsible corporate behavior is an important driver of consumers' and other stakeholders' decisions to retaliate against corporations. However, the nature of this moral emotion and its causes have not been clarified in previous research. This study presents an extended model that explains how different appraisal dimensions influence feelings of moral outrage at irresponsible corporate behavior. Broadening our understanding of the causes of this

emotional experience is important both for research and practice. Managers might be interested in quelling feelings of outrage while campaigners would be likely interested in stirring up our emotions to motivate social action. Irrespective of whether one wants to fuel or manage feelings of moral anger, understanding the causes of this powerful emotional experience develops further our knowledge of the relationships between corporations and society.

## APPENDIX A

Global health-care giant GlaxoSmithKline LLC (GSK) agreed to plead guilty and to pay \$3 billion to resolve its criminal liability arising from the company's unlawful promotion of certain prescription drugs and its failure to report certain safety data. The resolution is the largest health care fraud settlement in U.S. history and the largest payment ever by a drug company. The case related to the sale of many products. One example is reported below.

GSK unlawfully promoted a drug called Paxil for the treatment of depression in patients under age 18. The drug was never authorized for use in pediatric patients. GSK participated in preparing, publishing and distributing a misleading medical journal article that misreported that a clinical trial of Paxil demonstrated efficacy in the treatment of depression in patients under age 18. The study failed to demonstrate efficacy. GSK sponsored dinner programs, lunch programs, spa programs and similar activities to promote the use of Paxil in children and adolescents. GSK paid a speaker to talk to an audience of doctors and paid for the meal or spa treatment for the doctors who attended. Paxil, like other antidepressants, is a drug that can increase the risk of suicidal thinking and behavior in patients under age 18.

GSK plead guilty to misbranding Paxil and using misleading practices to promote this product.

Summary of a Department of Justice press release of Monday, July 2, 2012 (full press release available at: <http://www.justice.gov/opa/pr/2012/July/12-civ-842.html>)

## APPENDIX B

### **How The Breakfast Union Avoid Taxes in the US**

*By Jennifer Blake*

The Breakfast Union Corp. is a global coffee company and coffeehouse chain with stores in more than sixty countries and thousands of employees. Despite the remarkable success of its operations, The Breakfast Union has been recently the target of criticism from several magazines and politicians. The accusation made to the company is that, through a number of tax avoidance tactics, the firm has managed to ensure that it pays very little tax in the US. This is controversial because the US operations have been very successful, with sales of approximately \$5bn in 2013. Companies, however, do not pay taxes on sales but on their profits and this means that The Breakfast Union has managed to pay only around \$3m in taxes thanks to the implementation of several accounting techniques that artificially lower the profitability of the organization. These accounting procedures transfer effectively the profits to jurisdictions that have lower taxes.

The Breakfast Union US decreases its profitability in order to avoid tax in three ways. The first one is the payment of royalties for the use of the brand name and other intellectual property (mostly related to its business processes and unique store design). The payment is usually around 6% of sales and goes to another unit of the same company which is located in a country with lower corporation tax than the US. The second technique consists of inter-company loans. These loans can be a double benefit to multinationals in terms of saving on tax because the borrower will not pay taxes on the interest and the lender can be located in a country that doesn't tax earnings from interest. The third way The Breakfast Union US saves on its tax bill is through a legal requirement to allocate some of its profits to the accounts of the subsidiaries where the product has been processed. For example, The Breakfast Union's coffee is processed both in Switzerland and The Netherlands before being consumed in the US. This means that part of the profits generated in the US will be actually transferred to these other countries that both have lower corporation tax rates.

Critics argue that, although these schemes are legal, they are explicitly designed in order to avoid tax and therefore are immoral because they allow multinationals to reduce their tax burden and give them an unfair advantage over national businesses and individuals. The Breakfast Union has replied to the accusations stating that it has done nothing wrong, that the company always respects the regulations of the countries where it operates and that it is willing to cooperate with the authorities to find solutions to any potential disputes that might emerge.



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<sup>1</sup> It is possible that some consumers might have guessed the real brand involved in the case although the Starbucks' tax avoidance controversy involved mainly the UK division of the corporation. From the analysis of the answers to the initial open-ended question we find no evidence that participants guessed the brand (or where interested in doing so).

<sup>2</sup> One participant did not complete the demographic questions included in the questionnaire but it is still retained in the main analysis.

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Antonetti, Paolo

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